

The Economy Today

What words come to mind when you hear the word “economy”?

Economy

Definition: The system of the production and distribution of goods and services in an area

What are some things that might indicate if the economy is “healthy?”

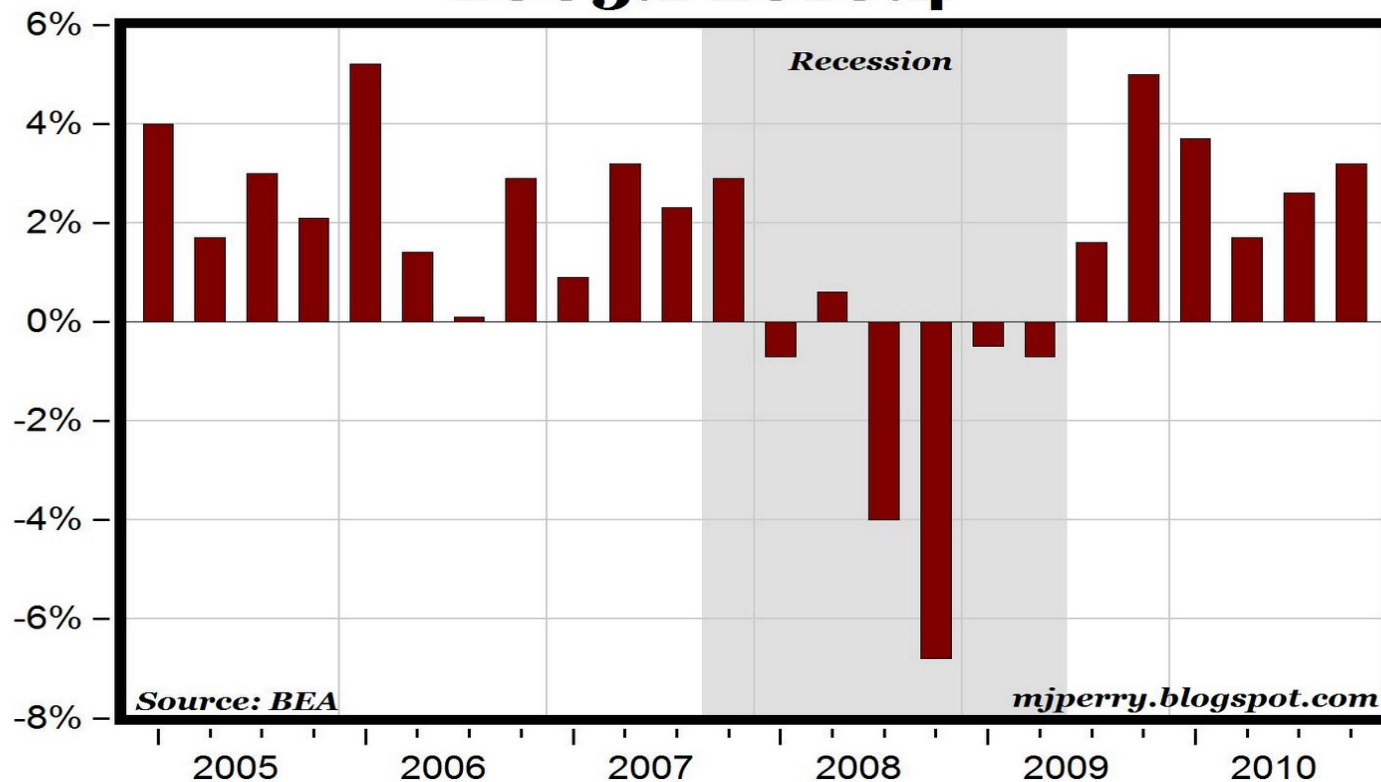
- Employment rate is high (unemployment is low)
- Overall production (GDP) is increasing
- Average income is increasing
- Business profits are increasing

Economic Downturns

Recession: 6 straight months of economic decline

Depression: 2 straight years of economic decline

**Real Gross Domestic Product
Percent Change from Previous Quarter
2005.1 2010.4**



The Great Recession

- Economic downturn that started in 2008
- Mostly caused by two things:
 - People taking out loans that they could not re-pay for things like mortgages
 - Large investment banks giving out loans that people could not re-pay
- This recession affected many countries, not just the U.S.
- It led to a large increase in unemployment during 2008 and 2009

The Recovery

The recession technically ended in 2009

- Unemployment rates have slowly gone back down, near to where they were in 2007
- National GDP increased slowly but steadily

So why doesn't it *feel* like our economy is healthy?

Has the recovery from the recession benefitted everyone? Or just some?

A recovery, for some...

- According to a recent study, 95% of the gains made during the recovery since 2009 have gone to the richest 1% of Americans. (Source: Emmanuel Saez, 2013)
- Meanwhile, the other 99% of Americans have seen their incomes increase less than half of a percent (0.4%) during the recovery.
- In other words, the Recession is officially over, but most peoples' economic situation has not improved
- **RESULT:** Our economic inequality, which has been increasing for several decades, was made worse by the Great Recession.

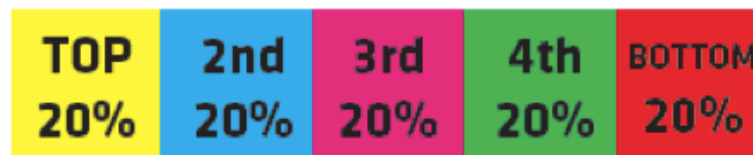
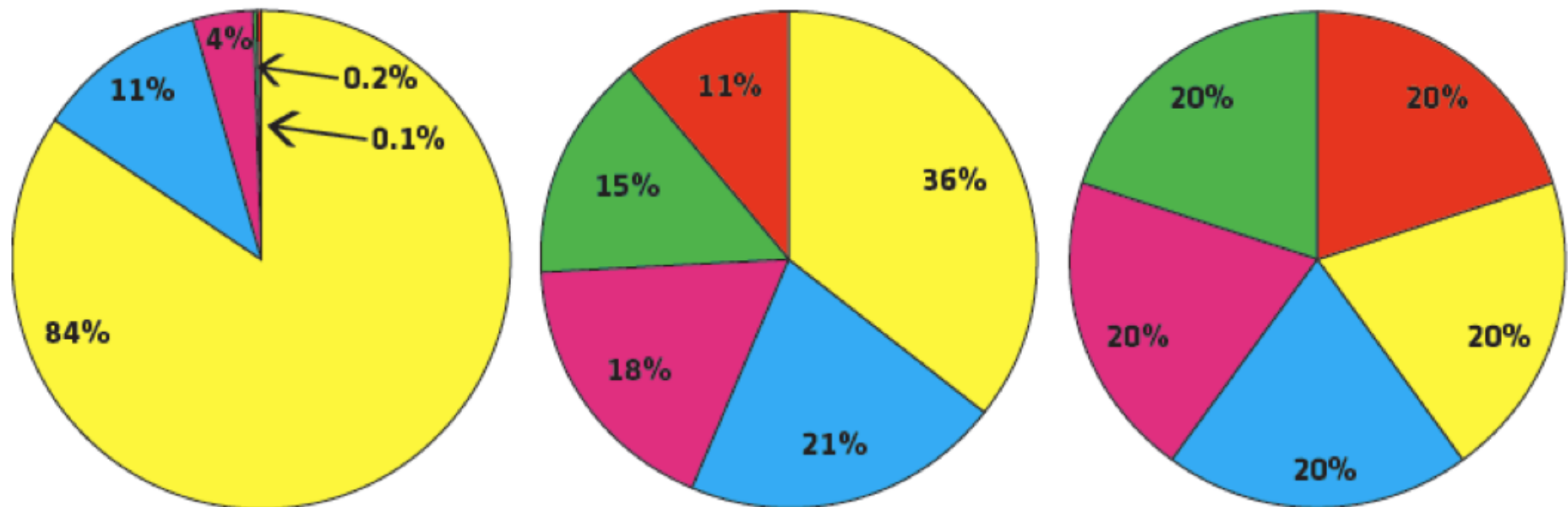
Economic Inequality:

When wealth is not spread evenly among the public.

- This is a basic fact among all countries, even ones that claim to be totally equal (like Communist countries.)
- But how unequal are we in the U.S.?
- And is it a problem?

How Does the U.S. Slice the Pie?

Below are three countries. Each is broken down into five quintiles to reflect the degree of economic inequality. One represents the income distribution of a country; the other two represent the wealth distribution of two other countries. These charts replicate a study done by Dan Ariely and Michel I. Norton for the paper, 'Building a Better America- One Wealth Quintile at a Time.' Of these pie charts, one represents Freedonia; another, Sweden; the third, the U.S. Which is which?



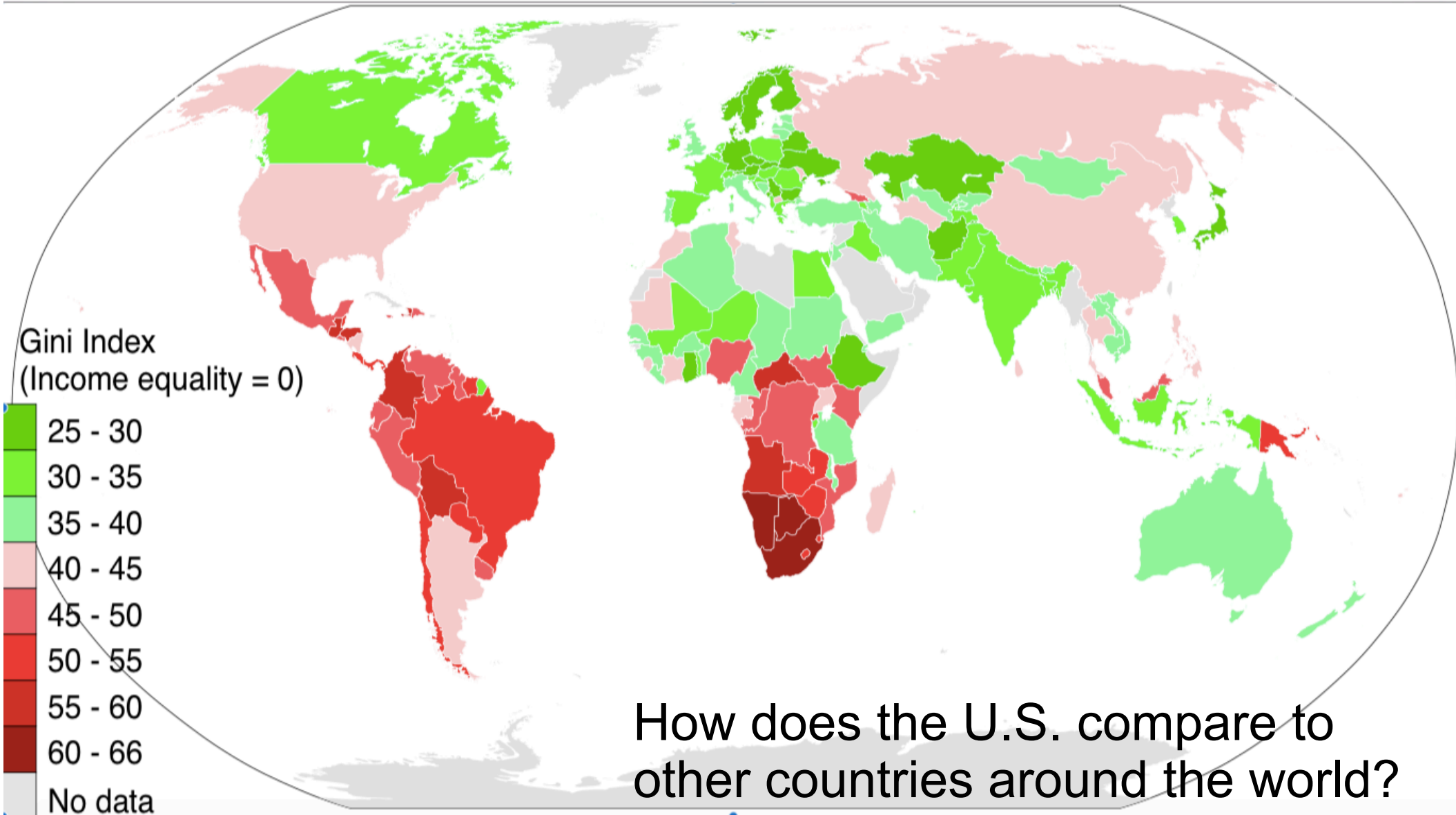
Pie chart video

<https://youtu.be/YnQwTS-K6jI>

(also embedded on wikispace)

Inequality around the world:

Gini Coefficient is a way to measure income inequality.
A higher Gini number means the country is more unequal



So what is the solution?

Greater government role?

- The government should do more to “level the playing field” by offering more assistance to those at the lower end and tax those at the upper end.

OR

Smaller government role?

- The government should “get out of the way” to allow the economy to operate on the free market.

Extra credit assignment

Take a copy of the Inequality Pie charts. Share this chart with a minimum of 5 people and take a poll by asking them two questions:

1. Which chart do you think represents the distribution of wealth in the U.S?
2. Which (of the three charts) represents the country in which you would most like to live?

Record your results in order to share with the class.